

**تانية انتظام (ب) عربي Economic حل شيت**  
**هيتسلم يوم الاثنين 03/25**

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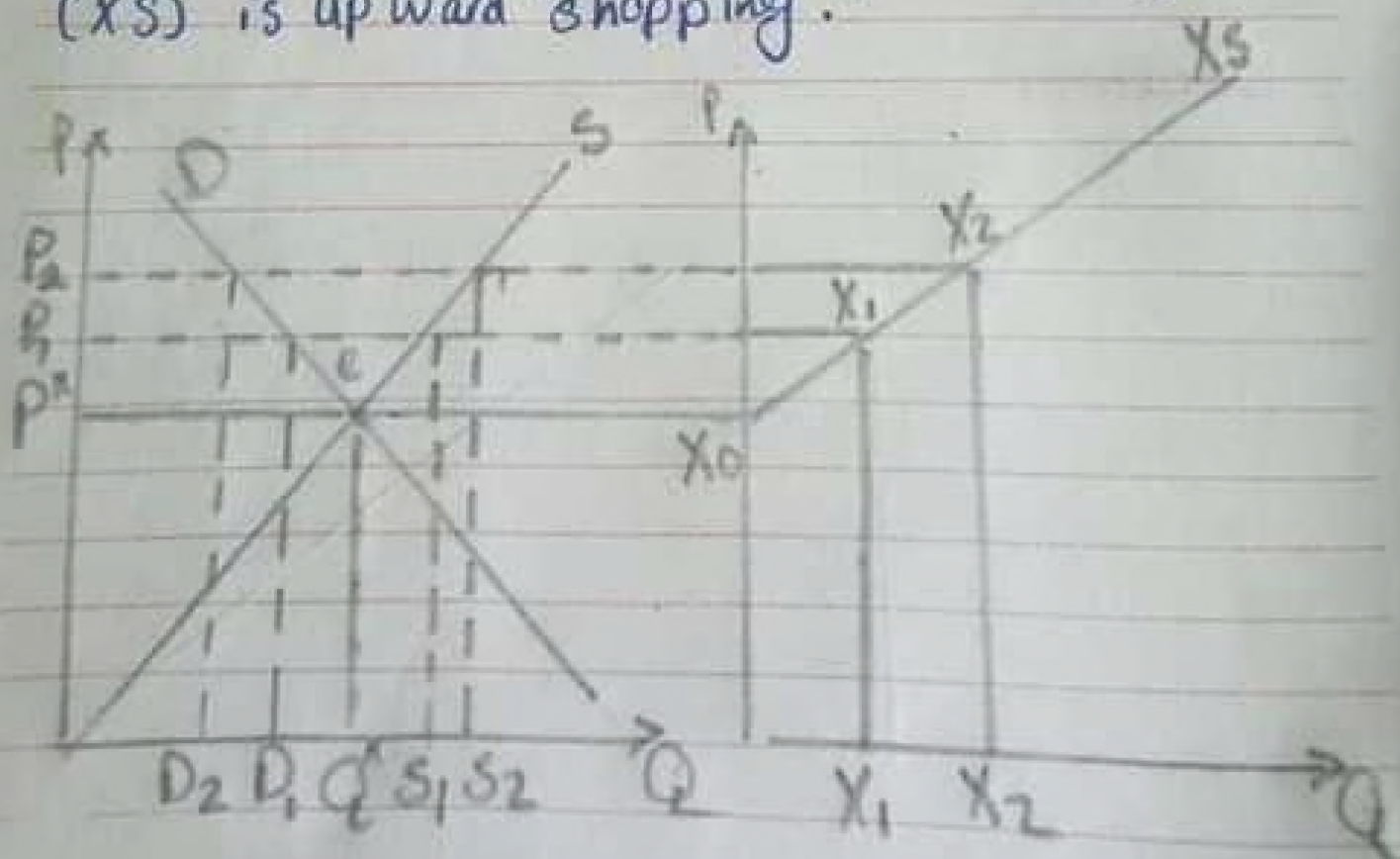
**MAHMOUD ALI SAYED**

1) Write short notice about the following terms and statements.

a) Home export supply curve (XS).

XS is derived from  $A^*$  foreign supply and demand are equal in the absence of trade, so at that price, the foreign export supply curve crosses zero.

As the price raises the consumers demand less and the producers supply more. For example at  $P_1$ , foreign consumers demand  $D_1$  while foreign producers supply  $S_1$ , so foreign export supply is  $(S_1 - D_1)$ . If the price raised to  $P_2$  the foreign consumers demand  $D_2$ , while foreign producers increase their supply to  $S_2$ , so foreign export supply raises to  $(S_2 - D_2)$  so the foreign export supply curve (XS) is upward sloping.





b) The world equilibrium.

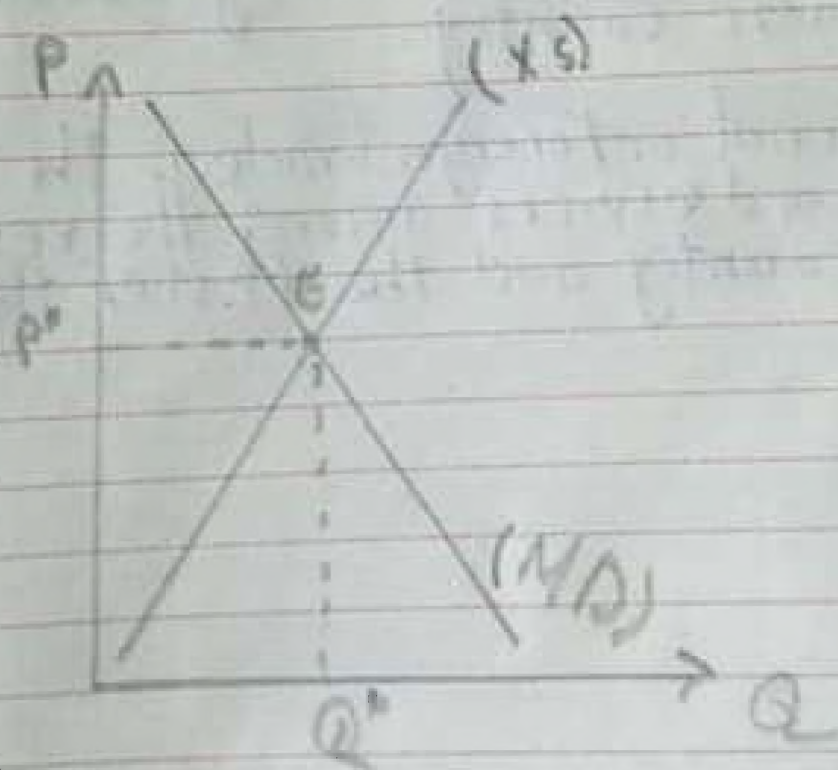
occurs when home import demand equals foreign export supply.

home import demand equal foreign export supply.

$$* \text{ home demand} - \text{home supply} = \text{Foreign supply} \\ \text{foreign demand}$$

$$* \text{ home demand} + \text{foreign demand} = \text{home supply} \\ + \text{foreign supply}.$$

$$* \text{ world demand} = \text{world supply}.$$





c) Trade is better than no trade.

### The Role of Trade

Many of the goods and services we enjoy, are produced abroad. The freedom to import and export benefits the citizens of all countries. Trade allows each country to specialize in what it produces best or more cheaply than other countries and it provides everyone with a greater variety of goods and services.

Trade is the exchange of goods and services among people :-

domestic trade or home trade :- The exchange of goods and services among the residents of the same country.

international or foreign trade :- The exchange of goods and services among the residents of one country and the rest of the world.



d) The classical model assumptions.

some simplifying Assumption.

①- we Assume that perfect competition in both output and Factors markets.

②- we Assume that each country has a Fixed endowment of resources.

③- we Assume that technology Cost are zero

④- we Assume that transportation Costs are zero

⑤- Assume that Factors of production in put such as Labor and capital completely mobile.

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